INDEPENDENT FACTORS LTD. 1990 ANNUAL REPORT

Highlights of the Year

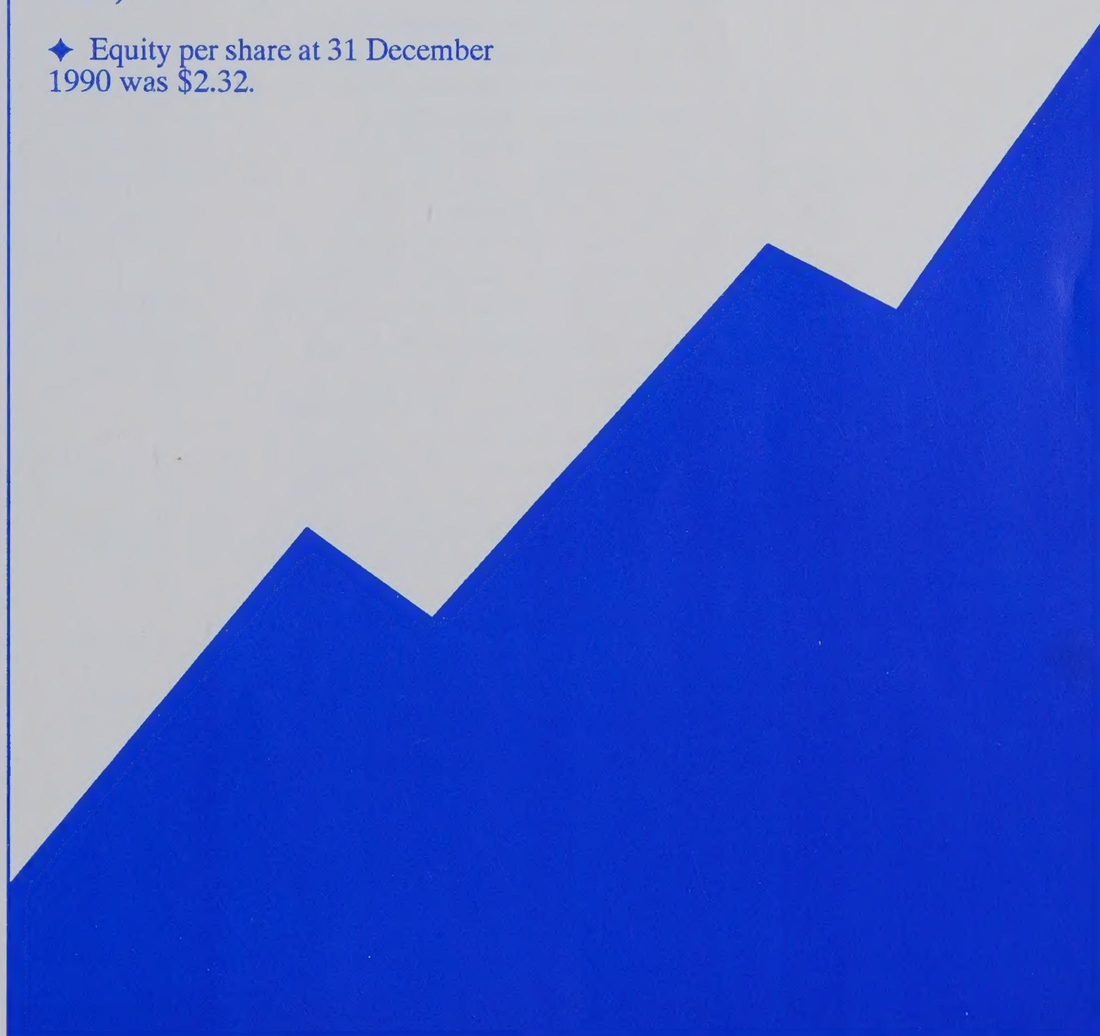
✦ The Company recorded its twelfth consecutive year of profitability.

✦ Earnings were $261,757 or 19 cents per share, down 17.4% from 1989 ($317,070 or 23 cents per share).

✦ Equity per share at 31 December 1990 was $2.32.

✦ Return on equity was 9.4% (1989, 12.7%).

✦ The sixth consecutive annual dividend, (five cents per share) was paid in July, 1990.



The Company's Business

✦ *Independent Factors is engaged in the business of making equity and debt investments.*

✦ *Independent Factors also has investments in real estate and land at two locations in B.C.*

✦ *Independent Factors provides companies with operational financial advice based on a series of successful financial strategies which it has developed in its 15 years of operation.*

President's Report to the Shareholders

Earnings for the year ended December 1990 were $261,757 or 19 cents per share, down 17.4% from the previous year (1989), $317,070 or 23 cents per share).

1990 was an eventful and important year for Factors. During the year, investments in industrial supplies stores were reduced from shares in eight outlets to shares in only two, and the sale of two real estate parcels for cash leaves Factors with only two such investments. In addition, Factors purchased a total of 567,051 of its own shares in 1990 for cancellation, and completed cancellation in early 1991.

The effects of these changes will be:

1) To reduce factors' outstanding shares by 40.7%, and the book value of its shareholders'equity by about 37.6%.

2) To eliminate, by year end, all of Factors' term debt.

3) To provide a portfolio of liquid marketable securities and cash of about 35% of total equity as at year end. This rose to more than 55.6% of the book value of total equity on the cancellation of the Factors shares in early 1991.

4) To reduce income at least temporarily, but not necessarily to reduce the increase of equity per share for shareholders over the next two years as factors moves from phase one to phase two of its equity factoring program. In this second phase, factors investments will be primarily in sound marketable equity stocks with good liquidity. In the first phase, its investments lacked liquidity, and were in the more risky form of loans to, and equity in, small private companies.

It will be interesting to see if our assumptions concerning equity factoring and the necessity for a consistent proportionality between debt and equity can be translated into increased returns for investors. Our phase one investment experience, from January, 1980, through 31 December 1989, has shown that the use of equity factoring contributed roughly 4% per year to the average return on equity of 14.3% per year during that period.

If our calculations and assumptions are correct, the results for our shareholders should be both interesting and rewarding. If the assumptions are incorrect or the calculations inaccurate, then earnings should nevertheless be reasonable, if modest. Factors' investments should be reasonably well diversified and secure in either event.

Dated at Edmonton, Alberta,
this 12 April, 1991.

L. Lewin, President

Notes to Consolidated Financial Statements

31 December 1990

5. SHARE CAPITAL - (Continued)

Changes in the Company's issued share capital for the year were as follows:

	1989		1988	
	Number	Consideration	Number	Consideration
Class "A" Common Shares				
Balance, beginning of year	697,811	$603,398	698,314	$603,833
Redeemed shares	-	-	(503)	(435)
Balance, end of year	697,811	$603,398	697,811	$603,398
Class "B" Common Shares				
Balance, beginning of year	695,715	$614,275	711,218	$627,963
Redeemed shares	(28,000)	(24,722)	(15,503)	(13,688)
Balance, end of year	667,715	$589,553	695,715	$614,275

6. CONTRIBUTED SURPLUS

The Company had a decrease in contributed surplus of $1,754 during the year due to the repurchase and cancellation of 28,000 common shares for a cash consideration of $40,970.

7. DIRECTORS REMUNERATION

Remuneration to directors of the Company including directors fees, consulting fees and salaries amounted to $97,600 (1989 - $87,850) during the year.

8. RELATED PARTY TRANSACTIONS

Rental revenue of $53,400 (1989 - $156,508), management fees of $NIL (1989 - $90,000), interest on loans and debentures receivable of $19,829 (1989 - $114,246) were received during the year from related parties.

Notes to Consolidated Financial Statements

31 December 1990

9. SUBSEQUENT EVENTS

Changes in the assets and share capital of Independent Factors Ltd. as a result of the cancellation, in January, 1991, of shares purchased pursuant to its Issuer Bid that closed November 1990:

I. Issued shares outstanding

	"A" shares	"B" shares
Issued shares as at 30 September 1990	697,811	667,715
Shares purchased per Issuer Bid, at $2,21 per share in November, 1990, and held on 31 December 1990 for cancellation. These shares were cancelled January 1991	233,640	305,411
Issued shares outstanding, 21 January 1991, after cancellation of all shares purchased under the Issuer Bid	464,171	362,304

II. Changes in shareholders' equity due to share cancellations following the Issuer Bid.

a) Change, reduction, in stated capital

	"A" shares	"B" shares	Total
Stated capital, 31 December 1990	$603,398	$589,553	$1,192,951
reduction of stated capital on cancellation, in January 1991, of shares purchased per Issuer Bid	202,029	269,660	471,689
Stated capital after cancellation of shares purchased on Issuer Bid	$401,369	$319,893	$721,262

b) Change, reduction in contributed surplus:

Contributed surplus before the shares purchased per the Issuer Bid are cancelled	$41,832
Less reduction thereof on cancellation of those shares	16,520
Contributed surplus after Issuer Bid purchases are cancelled	$25,312

Consolidated Statement of Income and Retained Earnings

For the Year Ended 31 December 1990

	1990	1989
REVENUE	$ 224,933	$554,404
EXPENSES		
Administration	201,704	316,235
Depreciation	14,764	35,410
Interest on long term debt	17,960	44,861
Other interest	3,506	5,073
	237,934	401,579
	(13,001)	152,825
OTHER		
Gain on sale of fixed assets	322,075	-
Share of earnings of companies on equity basis	142,526	190,784
INCOME BEFORE INCOME TAXES	451,600	343,609
Income taxes		
Current	58,924	26,539
Deferred	130,919	-
	189,843	26,539
NET INCOME FOR THE YEAR	261,757	317,070
Retained earnings, beginning of year	1,759,596	1,513,003
Premium on redemption of shares	(14,494)	-
Dividends paid	(69,176)	(70,477)
RETAINED EARNINGS, END OF YEAR	$1,937,683	1,759,596
BASIC EARNINGS PER SHARE	$ 0.19	$ 0.23

Consolidated Statement of Changes in Financial Position

For the Year Ended 31 December 1990

	1990	1989
CASH PROVIDED (USED) BY		
OPERATING ACTIVITIES		
Operations		
Net income for the year	$ 261,757	$ 317,070
Items not involving cash		
Depreciation	14,764	35,410
Gain on sale of fixed assets	(322,075)	(67,843)
Deferred income taxes	130,919	-
	85,365	284,637
Changes in non-cash working capital balances		
Marketable securities	(782,396)	(220,289)
Prepaid expenses	-	11,619
Accounts payable	(12,112)	(422,753)
Income taxes	(7,209)	(109,526)
Current portion of long-term debt	(97,124)	(130,855)
Accounts receivable	(89,517)	829,125
Inventories	-	1,961,266
	(723,959)	2,203,224
FINANCING ACTIVITIES		
Notes receivable	(1,191,302)	-
Redemption of shares	(40,970)	-
Cancellation of common shares	-	(20,902)
Decrease in long-term debt	(239,108)	(516,237)
Dividends	(69,176)	(70,477)
Decrease in minority interest	-	(552,988)
	(1,540,556)	(1,160,604)
INVESTING ACTIVITIES		
Decrease (increase) in long term investments	1,669,333	(1,418,482)
Proceeds of sale of fixed assets	579,056	547,502
Purchase of fixed assets	(18,630)	(41,599)
	2,229,759	(912,579)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(34,756)	130,041
Cash and equivalents, beginning of year	164,386	34,345
CASH AND EQUIVALENTS, END OF YEAR	$ 129,630	$ 164,386

Notes to Consolidated Financial Statements

31 December 1990

1. SIGNIFICANT ACCOUNTING POLICIES
The following is a summary of significant accounting policies of the Company:

(a) Long Term Investments

Investments in companies in which the Company has significant influence are accounted for by the equity method, by which the original cost of the shares is adjusted for the Company's share of earnings or losses since significant influence was acquired.

(b) Fixed Assets

Fixed assets are recorded at cost and depreciation is privided using the diminishing balance method. The rates are as follows:

Buildings	- 5%
Equipment	- 20%
Computer equipment	- 30%
Computer software	- 100%
Automotive equipment	- 30%

In the year fixed assets are acquired one half the normal rate is used.

2. NOTES RECEIVABLE
These notes receivable represnet the proceeds on sale of certain of the Compnay's long-term investments. Subsequent to year end notes were offset by the consideration paid by the Company to redeem certain shares (see note 911a).

3. LONG TERM INVESTMENTS

	1989	1988
Shares in related companies	**$14,980**	$53,501
Share of earnings in companies accounted for using the equity basis	**268,103**	700,604
Loans to related companies	**369,521**	1,078,905
Loans to shareholders of related companies	**150,130**	639,057
	$802,734	$2,472,067

Notes to Consolidated Financial Statements

31 December 1990

4. FIXED ASSETS

	1990 Cost	1990 Accumulated Depreciation	1989 Cost	1989 Accumulated Depreciation
Land	$109,018	$ -	$130,018	$ -
Buildings	154,925	21,500	493,921	169,476
Equipment	23,996	10,583	117,454	94,146
Computer equipment	35,416	22,527	57,912	41,327
Computer software	8,493	8,493	8,493	8,493
Automotive equipment	-	-	51,808	24,304
	331,848	63,103	859,606	337,746
Cost less accumulated depreciation		$268,745		$521,860

5. SHARE CAPITAL

		1989	1988
Authorized			
Unlimited	Class "A" common, voting shares of no par value		
Unlimited	Class "B" common, non-voting shares of no par value		
Unlimited	8% non-cumulative, redeemable preferred shares		
Issued			
697,811	Class "A" common, voting shares (1989 - 697,811)	$603,398	$603,398
695,715	Class "B" common, non-voting shares (1989 - 695,715)	589,553	614,275
		$1,192,951	$1,217,673

Independent Factors Ltd.

Consolidated Financial Statements

31 December 1990

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AUDITORS' REPORT

To The Shareholders
Independent Factors Ltd.

We have audited the consolidated balance sheet of Independent Factors Ltd. as at 31 December 1990 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statement present fairly, in all material respects, the financial position of the company as at 31 december 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Dunwoody & Company
Chartered Accountants

Calgary, Alberta
13 March 1991

Consolidated Balance Sheet

as at 31 December 1990

	1990	1989
ASSETS		
Current		
Cash	$129,630	$164,386
Marketable securities, at cost		
(market value - $1,010,000; 1989 - $226,594)	1,008,168	225,772
Accounts receivable	3,221	92,738
	1,141,019	482,896
NOTES RECEIVABLE, note 2	1,191,302	-
LONG TERM INVESTMENTS, note 3	802,734	2,472,067
FIXED, note 4	268,745	521,860
	$3,403,800	$3,476,823
LIABILITIES		
CURRENT		
Accounts payable	$42,624	$54,736
Income taxes	57,791	65,000
Current portion of long term debt	-	97,124
	100,415	216,860
LONG TERM DEBT	-	239,108
DEFERRED INCOME TAXES	130,919	-
	231,334	455,968
SHAREHOLDERS' EQUITY		
SHARE CAPITAL, note 5	1,192,951	1,217,673
CONTRIBUTED SURPLUS, note 6	41,832	43,586
RETAINED EARNINGS	1,937,683	1,759,596
	3,172,466	3,020,855
	$3,403,800	$3,476,823

SIGNIFICANT ACCOUNTING POLICIES, note 1
DIRECTORS REMUNERATION, note 7
RELATED PARTY TRANSACTION, note 8
SUBSEQUENT EVENTS, note 9

Approved on behalf of the Board:

_______________, Director

Linda G Arison, Director

Notes to Consolidated Financial Statements

31 December 1990

9. SUBSEQUENT EVENTS - (continued)

II. Changes in shareholders' equity due to share cancellations following the Issuer Bid. - (continued)

c) Change (reduction) in related earnings:

	"A" shares	"B" shares	Total
Consideration paid by Factors	$516,344	$674,958	$1,191,302
Less reduction of stated capital	202,029	269,660	471,689
and less reduction of contributed surplus	-	-	16,520
Retained earnings reduction necessary on cancellation of the shares purchased pursuant to the Issuer Bid	$314,315	$405,298	$703,093

d) Book value of the equity per share of the issued shares of Independent factors Ltd., before and after adjustment for the shares purchased, November 1990, pursuant to the Issuer Bid, and cancelled in January 1991:

	Shareholders'equity	
	Before cancellation	After cancellation
Stated capital	$1,192,951	$721,262
Contributed surplus	41,831	25,312
Retained earnings, 31 December 1990	1,937,683	1,937,683
Less adjustment to retained earnings on cancellation of shares bought pursuant to the Issuer Bid	-	(703,093)
Before cancellation, 1,365,526 shares	$3,172,465	
After cancellation, 826,475 shares issued		$1,981,164
Book value of equity per share	$ 2.32	$ 2.40

Corporate Information

Lawrence Lewin, President

One of the founders of Independent Factors, Mr. Lewin is president of the firm. A graduate of the University of British Columbia, Mr. Lewin is a lawyer by profession, and has spent many years developing the financial strategies and equity financing programs utilized by Independent Factors.

Linda Avison, Director

Linda has been an employee and officer of the Company and its predecessors since 1974. She presently is manager and principal shareholder at Northern Bearings and Drive Services Ltd. at Fort St. John.

New Directors:

Yvonne Brownfield, Director

Secretary and controller. Yvonne joined the company in July 1991. A former school teacher, she has become proficient in accounting and office management.

Daniel Lewin, Director

Daniel has been a shareholder since the beginning and has attended the past 10 Annual meetings of the company. He is enrolled in the Faculty of Commerce, U.B.C., as an undergraduate whose interests are in finance.

Officers:
Lawrence Lewin, President
Yvonne Brownfield, Controller and Secretary

Directors:
Lawrence Lewin, LLB
Linda Avison
Yvonne Brownfield
Daniel Lewin

Auditors:
Dunwoody & Company

Bankers:
Bank of Montreal

Transfer Agent:
National Trust Company

Shares Listed:
Class A, Class B; Alberta Stock Exchange (Symbols IDT.A and IDT.B)

Annual General Meeting:
9:00 a.m., May 25, 1991

Registered Office:
10424 Alaska Road
Fort St. John, B.C. V1J 1B3

Affiliated Operating Firms:
Northern Bearing & Drive Services Ltd., Fort St. John, B.C.

Independent Plumbing and Heating, Fort St. John, B.C.

A FAREWELL NOTE

Over the past sixteen years or so, from mid 1974 through 1990, R. A. (Mike) Kapler, as factors' general manager, supervised our investments in various industrial supply stores.

In November 1990, he and other long-term Directors and shareholders of Factors, Edwin John, and Dennis Lewin, as well as vancouver C.A. Jacques Seigneuret, have left Factors to set up a corporation to purchase from Factors, its interests in several of the stores which Factors sold.

Under Mike's experienced guidance, that group, we trust, will continue to do very well.

Our Board of Directors joins me in thanking them, on behalf of ourselves and our shareholders, for their courtesy and assistance over the lengthy first phase of Factors' equity factoring investment experiments. We wish them all the best in their current entrepreneurial endeavors.

Lawrence Lewin
President

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